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ABSTRACT

This memorandum examines state higher education funding in South Dakota for fiscal year (FY) 1996, describing five state-funded grant programs approved by the state legislature and funded for FY 1996. These include: (1) the need-based Student Incentive Grant program, which provides up to $600 per year to students attending public institutions in the state; (2) the need-based Tuition Equalization Grant program, which provides up to $250 per year to students attending private institutions in the state; (3) the newly instituted Tribal Institutions Education Cost Equalization Grant program, which provides grants on a per credit hour basis to eligible non-Indian South Dakota students attending one of five Indian colleges; (4) the Mickelson Scholars program, which provides full tuition and fees scholarships to academically accomplished students to encourage them to attend public institutions within the state; and (5) veterinary student grants, which provide eligible South Dakota veterinary students with grants to cover the difference between the resident and non-resident tuition at out-of-state universities, as the state offers no veterinary medicine programs. The memorandum concludes by discussing expenditures on student aid in South Dakota. An appendix provides a chart comparing state funding of higher education across states. (MDM)

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South Dakota Legislative Research Council

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Issue Memorandum 95-05

A REVIEW OF STATE-FUNDED GRANT PROGRAMS FOR POST-SECONDARY STUDENTS

Just as it was last year and others, one of the most lively topics of discussion during the 1995 Legislative Assembly was the share of the state's budget that should be allocated to higher education. Former Governor Miller's Budget Recommendation for Fiscal Year (FY) 1996 consisted of $106,563,451 general, $52,105,643 federal, and $150,443,749 other fund authority for the Board of Regents system, and a combined $788,710 general for two School of Medicine-related programs. Roughly 18 percent of the general fund budget for FY 1996 is for higher education. Breaking with many years of tradition, the former Governor did not recommend funding for any of the state's post-secondary education student grant programs, and Governor Janklow made no changes in the FY 1996 Budget Recommendation for higher education as he carried it to the Legislature. (In fact, Governor Janklow made few significant adjustments to the Miller budget, thus giving support to his predecessor's overall Budget Recommendation for FY 1996, which begins July 1.)

Both Governors' Budget Recommendations notwithstanding, the Legislature did fund five of the higher education student grant programs in question. These were all funded in one Act, House Bill 1325, the first time for such an occurrence. Had the Legislature not acted, South Dakota would have been the only state in the union with no state-funded student grant programs. (Attachment 1 shows a state-by-state comparison of appropriations for higher education operating expenses and student aid.) These legislatively-funded programs include: the Student Incentive Grant (SIG), the Tuition Equalization Grant (TEG), the newly instituted tribal institutions education cost equalization grant (TIECEG), and the veterinary medicine students assistance program. The fifth program, a relatively new one compared to the others, is the Mickelson Scholars Program.

South Dakota's collection of state-funded grants and scholarships is a diverse lot. Some are based on student financial need. A couple are based on academic performance. One is based on academic performance and limited to a particular major, supposedly based upon the agriculture industry's needs for more veterinarians. One grant is limited to students at private institutions in South Dakota, while another is limited to students going to school out of state because their chosen major is not available here. Arguably, there is no overall, unifying theme or strategy relating these programs, other than that they get whatever money the Legislature can find to spend on them. These programs at least have in common the fact that, for the first time ever, they all have some basis in legislative action, if not actual, codified law.

This distinguishes them from the number of Board of Regents' own programs--which tend to be tuition waivers--most of which have been or are being rescinded by the Board. Unfortunately, it also implies that there is an overall design to their creations, continuances, inter-related workings, and funding when there really is no such plan. The Legislature has not, in an official or structured way, studied or made a realistic appraisal or evaluation of the full system of state-supported post-secondary education grants. The following is an explanatory review of the diverse "grocery bag" of grant and scholarship programs that are statutorily based.

The Indian Scholarships Program

Of the state's post-secondary student grant programs, the Indian Scholarship Program-- which **was not funded for FY 1996**--has the longest history, going back to 1949. That year's Session Law Chapter 66 instituted a program in the Board of Regents to "provide 30 scholarships each year for persons of at least one-fourth Indian blood." As the following table shows, the Legislature appropriated $5,000 to start up the program in the 1950/51 Biennium.

TABLE 1: APPROPRIATIONS FOR INDIAN SCHOLARSHIPS

FISCAL YEAR	LEGISLATIVE APPROPRIATION
1950, 1951	$5,000 per year
1952 - 1957	$15,000 per year
1958, 1959	$22,500 per year
1960 - 1967	$42,000 per year
1968 - 1978	$21,000 per year
1979	$51,000
1980	0
1981	$51,000
1982 - 1990	0
1991	$50,000
1992	$17,300
1993 - 1996	$50,000 per year (The FY 1995 appropriation was eliminated by the 2nd Special Session of 1994.)

It should be reiterated at this point that the $50,000 appropriation for FY 1996 is not for the same purpose as all the earlier years. As explained in greater detail in *Issue Memorandum 92-7*, the program had originally been created as a grant program for Indian students at state-supported institutions. The FY 1996 appropriation , however, is for **non-Indian students at five specifically-listed tribal colleges**. There was no appropriation by the 70th Legislative Assembly for the traditional Indian Scholarship Program, that created in SDCL 13-55-14 and having its genesis in the 1949 Session Law.

As enacted by the Legislature in House Bill 1325, the TIECEGs are for non-Indian South Dakota residents attending Cheyenne River Community College, Oglala Lakota College, Sinte Gleska University, Sisseton-Wahpeton Community College, or Standing Rock Community College. The Act specifies that TIECEGs are to be awarded on a per credit hour basis for eligible students. The amount per hour per student is dependent upon the total number of students who qualify and the number of hours of study they take. The grant per student is reduced by whatever amount of money the student has received through eligibility under Public Law 95-471, which is for the benefit of students of community tribal colleges and universities. The grant awarded via HB 1325 is to be paid by the student directly to the institution. There is no history for this program yet, so amounts per student and the number of recipients are not yet known.

As enacted into law, TIECEGs do not have to be based upon financial need. Unlike the statutory language for SIGs and TEGs, there is none that defines an eligible student in terms of financial need. While this was probably the intent of the Legislature, the Department of Education and Cultural Affairs (DECA), which was given the rule-making authority "in cooperation with the South Dakota Tribal Colleges Association" to implement the program, could just as well base the distribution of grants on other criteria, such as or including academic performance. The Legislature might do well to redefine the program during the 71st Legislative Assembly to prevent potential misdirection or misinterpretation.

The Student Incentive Grant And Tuition Equalization Grant

The SIGs program is somewhat of the grandparent of all the student grant programs. It goes back to congressional action in the mid-70s and has not changed much, even in terms of amounts possible to qualifying recipients. The maximum grant for a student per year is $600, with the minimum being $100. Like TEGs, SIGs are based upon financial need of the students, as determined by the participating institutions. Those institutions must match the amounts awarded to students. During the 1993 - 1994 school year, 27 post-secondary institutions in South Dakota participated in the SIG program, and 1,001 students received grants. SIG has a federal component, and $206,680 was received from the federal government for the period and distributed to the 27 schools. The state's component is awarded only to the six state-supported universities. The Department of Education and Cultural Affairs administers the program and has clear direction in statute as well as federal policy for the nature of the program.

The TEG differs from the SIG primarily in that it is only available to students attending private institutions in South Dakota. Grants per student range, according to statute, between $100 and $250. Once again, DECA is the administering agency for this grant, for which there were 732 recipients during the 1993 - 1994 school year. The TEG is the more controversial of the two grants because of some of its recipients being attendees of religious institutions (e.g., Augustana or the University of Sioux Falls (formerly Sioux Falls College)). During the 1993 - 1994 school year, the six institutions with TEG

recipients were Augustana College, Dakota Wesleyan University, Kilian Community College, Mount Marty College, Presentation College, and the University of Sioux Falls. Table 2, which follows, gives a history of state funding for the SIG and TEG programs during those years since their inceptions when there were state general fund appropriations made:

TABLE 2

FISCAL YEAR	STUDENT INCENTIVE GRANT	TUITION EQUALIZATION GRANT
1979	$175,000	0
1980	$210,254	$175,000
1981	0	$100,000
1982	$100,000	0
1983	0	$100,000
1984	0	$100,000
1985	0	$100,000
1986	$100,000	$200,000
1987	$150,000	$150,000
1988	$150,000	$150,000
1989	$150,000	$150,000
1990	$150,000	$150,000
1991	$150,000	$150,000
1992	$150,000	$150,000
1993	$191,350	$191,350
1994	$191,350	$191,350
1995	$191,350 (eliminated during 2nd Special Session of 1994)	$191,350 (eliminated during 2nd Special Session of 1994)
1996	$191,350	$191,350

Both the SIG and TEG are described in greater detail in *Issue Memorandum 92-7.*

The Mickelson Scholars Program

In comparison to the other grant programs described thus far, the Mickelson Scholars Program has a very short history. Begun in FY1994 as the Rushmore Scholars Program, the program was funded with a Governor's discretionary grant of $219,020 from the South Dakota Employers' Investment in South Dakota's Future Fund (aka the Future Fund) and given to the Board of Regents for administration. The Board distributed $448,041 to 87 students in FY 1995, just before the funding stream was eliminated by Governor Janklow. The Legislature, however, appropriated $823,200 from the general fund for FY 1996 to keep the program alive for one more graduating class, those graduating in the spring of 1995.

Definitely the premier state-funded scholarship program, the Mickelson Scholars Program's purpose, according to HB 1325, "is to encourage South Dakota's most academically accomplished high school graduates to remain in the state and to contribute to the economic development of the state." Basically, the program attempts to provide incentive for the top one percent of the state's high school seniors to remain in South Dakota for their post-secondary educations by providing them full tuition and fees scholarships for up to four academic years. Eligible students may attend one of the six state-supported universities or one of the four state technical institutes. Unlike the previously described grants, the Mickelson Scholars Program is not based on financial need of the students.

Controversy over the program arose when Governor Janklow ended it--by pulling the Future Fund money without identifying a replacement revenue--because of his reasoning that it was an improper use of the Future Fund. The late Governor George Mickelson, in whose memory the program was renamed, however, apparently saw a vital link between higher education and economic development. In his 1989 State of the State Speech, he stated "[n]o more powerful tool exists to expand and diversify our economic base than a substantial commitment to higher education." The purposes of the Future Fund, which he proposed and the Legislature enacted in 1987, are "related to research and economic development for the state" (§ 61-5-24.2). To keep this scholarship program alive just another year, however, the Legislature had to draw from the state general fund an amount exceeding that for all the other grants combined.

The Mickelson Scholars Program surpassed in its award amounts the Superior Scholars Program, which was created in 1984 and was to have come to an end with the 1995 - 1996 academic year. Neither Governor Miller, Governor Janklow, nor the Legislature appropriated money for that program for FY 1996. This action will mean that about ten students will not receive about $1,500 from the state--and a match from their university--they otherwise would have for their senior year. This program recognized those South Dakota students identified as semi-finalists in the National Merit Scholarship Contest who were attending post-secondary education institutions in South Dakota and maintaining grade point averages of 3.0 or better.

Veterinary Student Grants

Finally, HB 1325 also provided funding of $200,000 from the general fund for grants to students of veterinary medicine participating in the program created in § 13-49-20.5. These students, unlike the students of all the other grants and the Mickelson Scholars Program, are not attending post-secondary education in South Dakota because no South Dakota university teaches veterinary medicine. Instead, this program provides, on a competitive basis, grants to students of veterinary medicine at out-of-state institutions to cover the difference between the resident and non-resident tuition at the institutions the students are attending. As it currently exists, this program utilizes an advisory panel made up of members of the livestock industry and agriculture academe to determine grant recipients and award funding, based upon rules the Board of Regents is to have promulgated pursuant to South Dakota administrative law. Since 1991, students in this program, which was begun in 1984, sign commitment forms to practice veterinary medicine in South Dakota one year for each year they received assistance. The students are to commence practice in South Dakota within three years after completion of their veterinary educations.

One potential advantage the veterinary students grants program has over other student grants is that § 13-49-20.6 identifies an alternative funding source as any money in excess of $200,000 in the Livestock Disease Emergency Fund (LDEF). The LDEF has, in fact, been used in a number of years to at least complement general fund dollars for grants to veterinary students. In FY 1995, the full $170,600 for that year's appropriation came from the LDEF. This was exactly the reverse of FY 1994 when the

full appropriation was from the general fund. Most years since the program's inception in 1984 there has been a mix of funds from the two sources, with about 60 percent of the $1.2 million total for the FYs 1985 to 1996 coming from the general fund.

Conclusion

Thus, South Dakota's state-funded student grant programs are an eclectic assortment, and the catalog's funding may be more anemic than it should be. The $1,455,900 appropriated via HB 1325 for the five grants accounts for about one percent of the general fund dollars the state spends on higher education. This means about two-tenths of one percent of the state's total general fund budget for FY 1996 is for post-secondary education student grants. Looking at the *CHRONICLE OF HIGHER EDUCATION* data comparing states' expenditures on higher education operating expenses and student aid (Attachment 1), South Dakota's spending on student aid as a percentage of the spending on operating expenses at .6% was just ahead of Montana (.5%) but far behind Minnesota (10%) and Iowa (6%), considerably behind North Dakota (2%), and slightly behind Nebraska (.7%).

Merely increasing the amounts for the grants may not be as worthwhile an improvement to the system as challenging and, perhaps, changing some of the basic assumptions and statutes that comprise it. For example, should there be a meaningful, state-funded incentive to the best-performing of South Dakota's high school students to remain in South Dakota for their post-secondary education? As mentioned earlier, the Mickelson Scholars Program is endangered and the Superior Scholars program has already been shelved. Should the state continue indefinitely to provide token--rather than significant--grants to students attending private or tribal institutions? The two programs that provide such funding only result in grants per student of a few hundred dollars, an amount likely only a tiny share of the cost of their education. If the purpose of those two programs is to encourage students to consider non-state supported schools, is a couple hundred dollars per year enough incentive to attend a school that is likely more expensive than one of the state's universities? Is there efficiency in striving to fully fund the needs of the state-supported universities while simultaneously seeming to encourage students to attend private or tribal institutions? Or is the whole concept of appropriating money from the state's general fund for post-secondary student grants and scholarships just a luxury?

This issue memorandum was written by Mark Zickrick, Principal Fiscal Analyst for the Legislative Research Council. It is designed to supply background information on the subject and is not a policy statement made by the Legislative Research Council.

ATTACHMENT 1

A COMPARISON OF STATE FUNDING OF HIGHER EDUCATION

STATE	STATE SPENDING ON HIGHER EDUCATION OPERATING EXPENSES	STATE SPENDING ON STUDENT AID	STUDENT AID AS A PERCENT OF TOTAL
Alabama	$ 892,127,000	$ 16,883,000	1.9%
Alaska	$ 179,818,000	$ 2,389,000	1.3%
Arizona	$ 616,917,000	$ 3,504,000	0.6%
Arkansas	$ 413,466,000	$ 8,684,000	2.1%
California	$ 4,384,452,000	$ 361,497,000	7.6%
Colorado	$ 534,418,000	$ 32,579,000	5.7%
Connecticut	$ 494,937,000	$ 20,841,000	4.0%
Delaware	$ 125,969,000	$ 6,601,000	5.0%
District of Columbia	n/a	$ 2,054,000	
Florida	$ 1,576,041,000	$ 88,037,000	5.3%
Georgia	$ 1,034,858,000	$ 60,595,000	5.5%
Hawaii	$ 371,336,000	$ 748,000	0.2%
Idaho	$ 201,334,000	$ 1,015,000	0.5%
Illinois	$ 1,806,826,000	$ 232,906,000	11.4%
Indiana	$ 918,132,000	$ 56,191,000	5.8%
Iowa	**$ 622,094,000**	**$ 39,364,000**	**6.0%**
Kansas	$ 477,484,000	$ 9,164,000	1.9%
Kentucky	$ 630,650,000	$ 29,604,000	4.5%
Louisiana	$ 567,580,000	$ 11,654,000	2.0%
Maine	$ 172,451,000	$ 5,170,000	2.9%
Maryland	$ 751,084,000	$ 30,286,000	3.9%
Massachusetts	$ 826,995,000	$ 59,580,000	6.7%
Michigan	$ 1,546,950,000	$ 92,643,000	5.7%
Minnesota	**$ 1,008,028,000**	**$ 102,960,000**	**9.3%**
Mississippi	$ 458,989,000	$ 2,515,000	0.5%
Missouri	$ 610,670,000	$ 22,125,000	3.5%
Montana	**$ 116,982,000**	**$ 807,000**	**0.5%**
Nebraska	**$ 358,249,000**	**$ 2,686,000**	**0.7%**
Nevada	$ 194,219,000	$ 402,000	0.2%
New Hampshire	$ 80,415,000	$ 1,598,000	1.9%
New Jersey	$ 1,245,276,000	$ 144,788,000	10.4%
New Mexico	$ 393,353,000	$ 17,367,000	4.2%
New York	$ 2,947,227,000	$ 666,833,000	18.5%
North Carolina	$ 1,630,179,000	$ 74,839,000	4.4%
North Dakota	**$ 143,869,000**	**$ 3,186,000**	**2.2%**
Ohio	$ 1,471,558,000	$ 110,891,000	7.0%
Oklahoma	$ 538,565,000	$ 21,488,000	3.8%
Oregon	$ 428,099,000	$ 23,995,000	5.3%
Pennsylvania	$ 1,513,260,000	$ 188,955,000	11.1%
Rhode Island	$ 112,358,000	$ 6,840,000	5.7%
South Carolina	$ 594,147,000	$ 17,861,000	2.9%
South Dakota	**$ 112,006,000**	**$ 725,000**	**0.6%**
Tennessee	$ 802,957,000	$ 30,414,000	3.6%
Texas	$ 3,188,362,000	$ 73,742,000	2.3%
Utah	$ 363,668,000	$ 2,856,000	0.8%
Vermont	$ 54,016,000	$ 11,323,000	17.3%
Virginia	$ 949,548,000	$ 73,475,000	7.2%
Washington	$ 954,583,000	$ 69,584,000	6.8%
West Virginia	$ 297,074,000	$ 6,782,000	2.2%
Wisconsin	$ 936,156,000	$ 51,063,000	5.2%
Wyoming	**$ 125,954,000**	**$ 250,000**	**0.2%**

SOURCE: CHRONICLE OF HIGHER EDUCATION, 1994 ALMANAC